

Message Text

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ORIGIN TRSE-00

INFO OCT-01 NEA-11 ISO-00 EB-08 AID-05 SS-15 SP-02
NSC-05 PM-05 CIAE-00 INR-10 NSAE-00 L-03 AGRE-00
DODE-00 SSM-03 DOE-15 SOE-02 /085 R

DRAFTED BY TREAS/IDN/SHOCHILTREE
APPROVED BY NEA/EGY:CEMARTHINSEN (STATE)
TREAS/OS/RFISHER '
TREAS/M/ASOLOMON
STATE/NEA/EGY:CAKENNEDY
TREAS/SE:ABRAZEAL

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TO AMEMBASSY CAIRO PRIORITY
INFO AMEMBASSY JIDDA
AMEMBASSY KUWAIT
AMEMBASSY DOHA
AMEMBASSY ABU DHABI
AMEMBASSY TEL AVIV

C O N F I D E N T I A L STATE 162050

E.O. 11652:

TAGS: OVIP, EAID, EFIN, EG, US. (MAREI SAYED)

SUBJECT: SECRETARY BLUMENTHAL'S MEETING WITH SAID MAREI

1. TREASURY SECRETARY BLUMENTHAL AND UNDER SECRETARY SOLO-
MON MET FOR FIFTY MINUTES WITH EGYPTIAN PEOPLE'S ASSEMBLY
SPEAKER SAID MAREI, AMB. GHORBAL, AND PARLIAMENTARIAN
TAWFIQ ISMAIL ON JUNE TWENTY-SECOND. ATMOSPHERE OF SESSION
WAS SOMEWHAT TENSE, AS EGYPTIANS COMPLAINED SHARPLY ABOUT
GODE,ISRAELIHARASSMENT OF AMOCO IN GULF OF SUEZ, AND
REQUESTED VERY LARGE INCREASES IN U.S. ASSISTANCE LEVELS.
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2. SAID MAREI BEGAN CONVERSATION BY DESCRIBING HIS MEETING
WITH PRESIDENT CARTER AS QUOTE VERY, VERY ENCOURAGING
UNQUOTE. MAREI SAID THAT EGYPT WILL PERSEVERE WITH PEACE
EFFORT AND WILL NOT RPT NOT BECOME DISCOURAGED BY
ISRAELI INTRANSIGENCE. MAREI HAILED RECENT AIRCRAFT
SALES PACKAGE AS VERY IMPORTANT FOR REASONS OF SYMBOLISM,

AS THE QUANTITY AND QUALITY OF AIRCRAFT IS NOT RPT NOT THAT GREAT. MAREI ALSO EXPRESSED STRONG APPRECIATION FOR U.S. ECONOMIC ASSISTANCE, ESPECIALLY PL 480 WHEAT. MAREI DESCRIBED WHEAT AS BEING OF QUOTE CRUCIAL UNQUOTE POLITICAL IMPORTANCE DUE TO RELATIONSHIP WITH URBAN BREAD PRICES.

2. AMB. GHORBAL NOTED THAT SEVERAL MONTHS AGO IN CAIRO VICE PRESIDENT MUBARAK HAD REQUESTED AN ADDITIONAL 400,000 TONS OF PL 480 WHEAT FOR THIS YEAR. GHORBAL, NOTING THAT AN ANSWER HAD STILL NOT BEEN RECEIVED, DESCRIBED REQUEST AS QUOTE VERY IMPORTANT UNQUOTE. GHORBAL SAID THAT U.S. FULFILLMENT OF THIS REQUEST WOULD SET A POSITIVE EXAMPLE FOR ARAB DONORS REGARDING ASSISTANCE TO EGYPT. UNDER SECRETARY SOLOMON EXPLAINED U.S. BUDGETARY STRINGENCY AND STATED THAT OUTLOOK FOR THIS REQUEST WAS NOT VERY ENCOURAGING.

3. GHORBAL SAID THAT GODE HAS BEEN QUOTE DIFFICULT UNQUOTE REGARDING ADDITIONAL ASSISTANCE. HE STATED THAT GODE HAD NOT RPT NOT BEEN AS FORTHCOMING AS EITHER THE EGYPTIANS OR THE IBRD HAD HOPED. GHORBAL REPORTED THAT DURING ECONOMY MINISTER EL-SAYEH'S VISIT TO RIYADH, THE SAUDIS HAD TOLD HIM THAT THEY WOULD CONVEY EGYPT'S REQUEST FOR ADDITIONAL ASSISTANCE TO OTHER GODE MEMBERS. SAUDIS ACCORDINGLY ADVISED EGYPTIANS NOT RPT NOT TO TOUR GODE CAPITALS.
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4. ACCORDING TO GHORBAL, THE EGYPTIANS HAVE TOLD THE SAUDIS THAT THEY WOULD LIKE GODE TO GIVE BALANCE OF PAYMENTS SUPPORT IN THE FORM OF HARD CURRENCY TO BE CONVERTED INTO EGYPTIAN POUNDS WHICH WOULD BE USED TO MEET LOCAL CURRENCY COSTS OF AID AND IBRD CAPITAL DEVELOPMENT PROJECTS. GHORBAL CLAIMED THAT SAUDIS QUOTE LIKED UNQUOTE THIS IDEA AND AGREED TO ATTEMPT TO SELL IT TO GODE MINISTERIAL MEETING PLANNED FOR JULY FIFTEENTH.

5. GHORBAL MADE A STRONG PITCH FOR U.S. INTERVENTION ON EGYPT'S BEHALF WITH GODE MEMBERS. SECRETARY BLUMENTHAL REPLIED THAT U.S. WILL QUOTE ENCOURAGE UNQUOTE GODE MEMBERS ON EGYPT'S BEHALF. BEGIN FYI: UNDER SECRETARY SOLOMON MAY DISCUSS THIS SUBJECT WITH SAUDI FINANCE MINISTER ABA AL-KHAYL IN THE NEAR FUTURE. END FYI.

6. GHORBAL ALSO MADE STRONG PLEA FOR VERY LARGE INCREASES IN U.S. ASSISTANCE LEVELS TO EGYPT. GHORBAL URGED THAT FOR FY 1979 PL 480 WHEAT BE RAISED TO 2.5 MILLION TONS, THAT 4,000 TONS OF DRY BEANS BE PROVIDED, AND THAT THE COMMODITY IMPORT PROGRAM BE RAISED TO 500 MILLION DOLS.

GHORBAL INDICATED THAT HE WOULD LIKE PROJECT AID AND TECHNICAL ASSISTANCE GRANTS BE HELD AT THE PLANNED 500 MILLION DOL. LEVEL, RATHER THAN REDUCED IN FAVOR OF THE C.I.P. PROGRAM. SECRETARY BLUMENTHAL STATED THAT SUCH INCREASES WOULD BE QUOTE TOUGH UNQUOTE. HE DESCRIBED

VERY DIFFICULT PRESENT CONGRESSIONAL ATTITUDE TOWARDS FOREIGN ASSISTANCE. GHORBAL AGREED THAT SITUATION IS DIFFICULT, BUT HOPED AND BELIEVED THAT SOMETHING COULD BE DONE. HE SAID EGYPT NEEDED INCREASED U.S. FOOD AID SO AS TO AVOID ANOTHER DEBT ARREARAGE PROBLEM IN THE NEAR FUTURE. UNDER SECRETARY SOLOMON POINTED OUT THAT EGYPTIANS WERE ASKING U.S. FOR SUBSTANTIAL INCREASE IN ASSISTANCE LEVELS BECAUSE GODE APPEARS LESS FORTHCOMING THAN IN THE PAST. CONFIDENTIAL

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7. SAID MAREI REQUESTED THAT 400,000 TONS OF CORN BE PROVIDED IN THE COMING YEAR. MAREI SPOKE AT LENGTH ABOUT THE CONSIDERABLE POLITICAL IMPORTANCE OF CORN, WHICH HE DESCRIBED AS THE MAIN FOOD OF VILLAGERS. EGYPTIANS HOPED THIS CORN REQUEST COULD BE ACCOMMODATED BY CHANGING RELATIVE PRIORITIES WITHIN THE C.I.P. PROGRAM. SECRETARY BLUMENTHAL INDICATED THAT TREASURY WOULD SUPPORT SUCH A REQUEST.

8. UNDER SECRETARY SOLOMON ASKED IF EGYPT COULD REDUCE THE BUDGET DEFICIT AS REQUIRED BY THE RECENT IMF EXTENDED FUND FACILITY IF FOOD AND OTHER SUBSIDIES CONTINUED. SAID MAREI STATED THAT THE COST OF SUBSIDIES THIS YEAR WOULD BE AROUND LE 600 MILLION. HE FELT THAT IT WAS NECESSARY TO GRADUALLY REDUCE SUBSIDIES ON NON-ESSENTIALS WHILE LEAVING ESSENTIALS SUCH AS BREAD UNCHANGED. PERSONALLY HE WOULD HAVE PREFERRED THE SUBSIDY LEVEL THIS YEAR TO HAVE BEEN AROUND LE 400 MILLION.

9. IN RESPONSE TO A QUESTION FROM SECRETARY BLUMENTHAL REGARDING OIL PRODUCTION, GHORBAL GAVE A VERY STRONG DENUNCIATION OF ISRAELI ACTIVITY IN THE GULF OF SUEZ AS QUOTE WORSE THAN IN THE 1967 TO 1973 PERIOD UNQUOTE. ACCORDING TO GHORBAL, THE ISRAELIS HAVE PREVENTED AMOCO FROM CONDUCTING SEISMIC WORK ACROSS THE MEDIAN LINE. THIS HAS RETARDED EGYPTIAN OIL PRODUCTION ON ITS SIDE OF THE MEDIAN LINE BY ABOUT TWO YEARS, AS AMOCO HAS NOT RPT NOT BEEN ABLE TO PUT TOGETHER A COMPLETE GEOLOGICAL MAP OF GULF.

10. TREASURY COMMENT: GHORBAL, WHO DOMINATED CONVERSATION, WAS SURPRISINGLY BELLIGERENT AND AT TIMES SOUNDED CONFIDENTIAL

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ALMOST DESPERATE. MAREI, HOWEVER, WAS MUCH CALMER.
GHORBAL HAD WITH HIM WHAT APPEARED TO BE A HAND WRITTEN
SHOPPING LIST OF REQUESTED ADDITIONAL U.S. ASSISTANCE.
END COMMENT. VANCE

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: VISITS, POLITICAL LEADERS, MINISTERIAL MEETINGS
Control Number: n/a
Copy: SINGLE
Draft Date: 26 jun 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978STATE162050
Document Source: CORE
Document Unique ID: 00
Drafter: IDN/SHOCHILTREE
Enclosure: DG ALTERED
Executive Order: GS
Errors: N/A
Expiration:
Film Number: D780265-0300
Format: TEL
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780619/aaaaaqor.tel
Line Count: 179
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: b500ee7f-c288-dd11-92da-001cc4696bcc
Office: ORIGIN TRSE
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 29 jun 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2204393
Secure: OPEN
Status: NATIVE
Subject: SECRETARY BLUMENTHAL'S MEETING WITH SAID MAREI
TAGS: OVIP, EAID, EFIN, EG, US, (BLUMENTHAL, W MICHAEL), (MAREI, SAYED)
To: CAIRO
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/b500ee7f-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014